

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-08 EUR-12 EA-07 ISO-00 TRSE-00 SP-02

USIA-06 AID-05 NSC-05 CIEP-01 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /102 R

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AF/W:WSVENDSON

EB/IFD/ODF:JWINDER

EB/FSE:WMILAM

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R 151550Z MAY 76

FM SECSTATE WASHDC

TO AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY TOKYO

INFO AMEMBASSY NAIROBI

AMEMBASSY FREETOWN

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FOR US DEL UNCTAD IV - NAIROBI (INFO)

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: SECRETARY KISSINGER'S MAY 6 1976 SPEECH IN

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NAIROBI (DEBT)

REF: (A) LONDON 07270; (B) LONDON 07294

1. UK OFFICIALS HAVE POSED QUESTION ON A PARAGRAPH OF THE SECRETARY'S MAY 6 SPEECH AT UNCTAD IV DEALING WITH DEBT, POINTING OUT THAT ONE OF THE PARAGRAPHS REPORTED IN THE USIS WIRELESS FILE DIFFERED FROM THE VERSION DISTRIBUTED IN NAIROBI. WHILE THIS CABLE IS SPECIFICALLY INTENDED TO REPLY TO UK QUERY, OTHER POSTS MAY WISH TO INSURE THAT APPROPRIATE HOST GOVERNMENT OFFICIALS ARE USING CORRECT VERSION.

2. USIS TEXT WAS IN ERROR, AND USIS HAS ALREADY DISTRIBUTED AN AMENDED VERSION. THE PARAGRAPH IN QUESTION SHOULD READ AS FOLLOWS:

"TO IMPROVE THE BASIS FOR CONSIDERATION OF BALANCE OF PAYMENTS PROBLEMS OF PARTICULAR DEVELOPING COUNTRIES, THE US PROPOSES THAT THE CIEC FINANCE COMMISSION OR ANOTHER MUTUALLY ACCEPTABLE FORUM EXAMINE THE ECONOMIC AND ACUTE FINANCING PROBLEMS OF DEVELOPING COUNTRIES."

3. THE FOLLOWING POINTS HIGHLIGHT THE RATIONALE BEHIND THIS PARAGRAPH:

(A) -- THE "MANILA DECLARATION" PROPOSALS ARE CLEARLY UNACCEPTABLE TO THE UNITED STATES EVEN AS A BASIS FOR NEGOTIATION. WE CANNOT TREAT WHAT ARE ESSENTIALLY BALANCE OF PAYMENTS PROBLEMS SOLELY IN TERMS OF DEBT, AND BELIEVE THE FINANCING ISSUES RAISED BY THE LDCS MUST BE DISCUSSED WITHIN THE BROADER CONTEXT OF THE OVERALL LDC BALANCE OF PAYMENTS POSITION.

(B) -- AT UNCTAD, US STRATEGY WILL REVOLVE AROUND PUTTING OUR POLICY FAVORING THE "CASE-BY-CASE" APPROACH IN THE BEST POSSIBLE LIGHT. BY THE CLOSE OF UNCTAD IV, WE HOPE THERE WILL BE COMMON ACCEPTANCE OF THE FACT THAT THE ISSUE OF LDC INDEBTEDNESS IS NOT AMENABLE TO ANY AGGREGATED, GENERAL APPROACH.

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(C) -- WHILE REJECTING THE MANILA DECLARATION PROPOSALS, THE U.S. BELIEVES THE CREDITOR COUNTRIES SHOULD BE WILLING TO ACT IN A CONSTRUCTIVE MANNER. AS WE NOW ENVISION IT, THIS WOULD ENTAIL THE CIEC FINANCE COMMISSION OR ANOTHER MUTUALLY ACCEPTABLE FORUM EXAMINING THE ECONOMIC AND ACUTE FINANCING PROBLEMS OF THE DEVELOPING COUNTRIES, PARTICULARLY THE LDCS.

(D) -- WE BELIEVE THAT THE CIEC FINANCE COMMISSION IS A PARTICULARLY GOOD FORUM FOR SUCH AN EXAMINATION. THE ALTERNATIVES TO THE CIEC FORUM (SUCH AS UNCTAD) ARE CLEARLY LESS ATTRACTIVE. IN ADDITION THE FINANCE COMMISSION HAS ALREADY AGREED TO FOCUS ON DEBT ISSUE TO FOLLOW-UP ON UNCTAD DISCUSSIONS. WE ENVISION THE PROPOSED STUDY AS A SHORT-TERM EXERCISE WHICH COULD BE ACCOMPLISHED WITHIN THE CURRENT CIEC TIMETABLE.

4. IN RESPONDING TO UK CONCERNS AS EXPRESSED IN PARAGRAPH 3 REFTEL (A), YOU SHOULD STATE THE FOLLOWING:

(A) THE US CONTINUES TO OPPOSE STRONGLY THE IDEA OF A DEBT CONFERENCE. WE BELIEVE SUCH A CONFERENCE WOULD FOCUS ON DEBT RELIEF AS A METHOD OF PROVIDING GENERAL BALANCE OF PAYMENTS SUPPORT TO THE LDCS. THIS WOULD BE UNACCEPTABLE TO THE US. MOREOVER, WE BELIEVE A CONFERENCE WOULD HAVE ADVERSE EFFECTS ON LDC CREDITWORTHINESS IN PRIVATE CAPITAL MARKETS.

(B) THE UNITED STATES CONTINUES TO SUPPORT THE CREDITOR CLUB INSTITUTION AS THE MAJOR FORUM FOR DEBT RENEGOTIATIONS. THE UNITED STATES IS, HOWEVER, WILLING TO CONSIDER SOME INSTITUTIONAL CHANGES WITHIN THE CREDITOR CLUB FRAMEWORK. FOR EXAMPLE, WE ARE PREPARED TO ADVOCATE GREATER IMF TECHNICAL PARTICIPATION IN CREDITOR CLUB DELIBERATIONS.

(C) IN THE PAST, SELECTION OF A CREDITOR CHAIRMAN OF A "CREDITOR CLUB" HAS BEEN CHARACTERIZED BY FLEXIBILITY. THERE HAVE, FOR EXAMPLE, BEEN "LONDON CLUBS" FOR GHANA AND PERU AND "HAGUE CLUBS" FOR BRAZIL. GIVEN THE UK'S UNIQUE RELATIONSHIP WITH SIERRA LEONE, WE THINK THE UK WOULD BE A VERY APPROPRIATE CHAIRMAN OF ANY CREDITOR CLUB LIMITED OFFICIAL USE

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MEETING ON SIERRA LEONE. SHOULD BOTH THE UK AND SIERRA LEONE AGREE TO UK CHAIRMANSHIP, THEY WOULD RECEIVE FULL US SUPPORT. IN RESPONSE TO QUESTION RAISED IN PARAGRAPH 2 REFTEL (B), THE US IS NOT REPEAT NOT INTERESTED IN CHAIRING A SIERRA LEONE CREDITOR CLUB.

(D) WE UNDERSTAND WORLD BANK WILL SOON BE SENDING A MISSION TO SIERRA LEONE, AND THAT MISSION WILL DEVOTE CONSIDERABLE ATTENTION TO THE DEBT SITUATION. WE BELIEVE THE REPORT OF WORLD BANK MISSION WOULD BE USEFUL INPUT TO ANY FUTURE CREDITOR DISCUSSIONS. KISSINGER

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